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C O N F I D E N T I A L SECTION 01 OF 02 CARACAS 003659

SIPDIS

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TAGS: EPET EINV PGOV PREL PHUM KDEM VE

SUBJECT: PIPELINE EXPLOSIONS QUICKLY CONTROLLED

REF: CARACAS 03647

Classified By: Economic Counselor Andrew N. Bowen for Reason 1.4 (D)

¶1. (C) SUMMARY: As noted in reftel, an explosion, possibly caused by an explosive device, occurred on the Ule-Amauy oil pipeline on Saturday evening. Authorities quickly controlled the explosion and it will not have an impact on production in western Venezuela. Another explosion occurred on a nearby gas pipeline without causing significant damage, and explosive devices were reportedly found on another portion of the gas pipeline. The GOV quickly blamed ex-PDVSA employees. Oil executives told the Embassy that the speed with which the authorities responded to the explosions was suspicious. Possible explanations range from the GOV placing the explosives themselves to discredit the opposition to shoddy maintenance. END SUMMARY

EXPLOSIONS SATURDAY EVENING

¶2. (SBU) Energy Minister and PDVSA President Rafael Ramirez_ announced in a December 4 press conference that an explosion occurred at 8:40 the evening of December 3, on Line 1 the Ule-Amuya oil pipeline, which carries 150,000 barrels of oil daily to the Paraguana Refining Center (CRP). No one was injured in the explosion. According to Ramirez_, authorities had the situation under control by 11:45 PM, but high temperatures from the blaze damaged Line 2, which carries 250,000 barrels of oil per day to CRP. Ramirez_ said the incident would not have any effect on production since CRP has inventories equal to five days production. In addition, a tanker with 400,000 barrels of oil was standing by to supply CRP if necessary. Repairs were carried out on both line Sunday. Ramirez_ said Line 2 should be operational on December 5 and Line 1 should be back on line within three to five days.

¶3. (SBU) In addition to the explosion at the oil pipeline, Ramirez_ also claimed during the press conference with Justice and Interior Minister Jesse Chacon that a small explosion also occurred at Kilometer 27 of a gas pipeline that supports production in the Ule operational area. The explosion was not powerful enough to damage the pipeline. He said explosives were found at Kilometer 25 of the same pipeline. Ministry of Interior Jesse Chacon said December 4 that GOV investigators found traces of C4 around the area.

NEW LEVELS OF EFFECIENCY

¶4. (C) ExxonMobil executives told Petroleum Attaché (Petatt) on December 5 that they found the whole incident rather suspicious. Fire trucks seemed to be prepositioned in anticipation of the oil pipeline explosion. They also thought the blaze was brought under control very quickly, considering the event was completely unexpected. Finally, they were incredulous that the authorities were able to find the explosive device at Kilometer 25 of the gas pipeline in the middle of the night. The executives believe the GOV orchestrated the whole series of events in order to discredit or perhaps eventually cast blame on Manuel Rosales, the opposition governor of Zulia.

¶5. (C) A senior executive from a major service company told Petatt that he believes the incidents were either the result of inept management and lack of maintenance on the part of PDVSA, or carried out by GOV authorities themselves. He noted senior GOV officials have expressed concern over the last two weeks about the decline in the price of oil. He said he personally believes senior GOV officials are starting to panic over recent price declines. (NOTE: Ramirez_ has publicly expressed concern over increases in production in the Gulf of Mexico. In addition, the GOV has proposed new price bands in recent OPEC meetings. END NOTE) The executive believes the GOV may have carried out the "attacks" in order to raise the level of uncertainty in the oil markets and push up prices.

COMMENT

¶6. (C) While we would be surprised that the GOV would blow up its own infrastructure, we note it would make a convenient excuse to retaliate against Zulia Governor Manuel Rosales by alleging he somehow was behind the plot in hopes of

disrupting the elections. Neither can we rule out extremists from the opposition, as the GOV would like everyone to believe, though it seems an odd target with the opposition more focused on GOV electoral authorities right now. The most plausible explanation, without more information, would be that the GOV fabricated the bomb story to distract attention from chronic maintenance problems.

BROWNFIELD